

**DETERMINANTS OF LOAN RECOVERY FROM MICRO, SMALL AND
MEDIUM ENTERPRISE BORROWERS AT ILALA MUNICIPALITY, IN
DAR ES SALAAM**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by The Open University of Tanzania, the dissertation titled; **“Determinants of Loan Recovery from Micro, Small and Medium Enterprise Borrowers at Ilala Municipality, in Dar es Salaam, Tanzania** in partial fulfillment for the requirements for the degree of Master of Business Administration of the Open University of Tanzania.

.....

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DECLARATION

I, **Irene Katemana**, do hereby declare that the dissertation entitled, “Determinants of loan recovery from Micro, Small and Medium Enterprise Borrowers at Ilala Municipality”, is my own original work, and that it has not been submitted for similar degree in any other University.

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Signature

.....

Date

DEDICATION

I dedicate this dissertation to Almighty God who gave me life, idea, courage and power to pursue the study and my beloved parents especially my lovely Mama Theodora Komba. Also it is dedicated to my sisters Magreth and Gladys and to our entire family members for their encouragement, assistances, financial support, advices, understanding and prayers during the entire period of my study.

Lastly I dedicated to my only one lovely son Irvin and to my fiancé husband to be Bartholomew Binamo for their support, patience and their encouragement during the entire period of my study.

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ABSTRACT

The objective of the study was to assess the determinants of loan recovery at Ilala Municipality in Dar es Salaam. Specifically, the study sought to: examine socioeconomic factors affecting loan recovery from MSME borrowers; examine institutional and business-related factors affecting loan recovery from MSME borrowers and; examine person-related factors affecting loan recovery from MSME borrowers. A cross-sectional survey involving 96 respondents from MSME Borrowers was conducted at Ilala Municipality. Primary data were collected from Mchikichini ward, Buguruni ward and Gongo la Mboto ward using a structured questionnaire. Both descriptive and inferential analysis were performed using STATA 13, whereby multiple linear regression analysis was used to analyze the determinants of loan recovery rate. The study revealed that the determinants of loan recovery at Ilala Municipality in Dar es Salaam are: income status, education level, type of business operated by the borrower and borrower's attitude on loan repayment (CI 95%, significant at $P < 0.05$). The study recommends strengthening of income capacities for MSMEs using alternative sources and strategies and education provision to the MSME operators and owners repayment.

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LIST OF ABBREVIATIONS

GDP	Gross Domestic Product
MFI	Microfinance Institutions
CRDB	Cooperative and Rural Development Bank
SACCOS	Savings and Credits Cooperative Societies
MSMEs	Micro, small and medium Enterprises
NBC	National Bank of Commerce
FINCA	Financial International Community Assistance
NMB	National Microfinance Bank
SEDOM	Small Enterprises Development Organization of Malawi
OECD	Organizational for Economic and Community Development
MSMEs	Micro, Small and Medium Enterprises
SIDO	Small Industries Development Organization
SSE	Small Scale Enterprises
UK	United Kingdom
URT	United Republic of Tanzania
USA	United State of America
WB	World Bank

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Loan provision is one of the key activities of microfinance institutions which are geared towards facilitating access to credit and finance to the public. The microfinance institutions accomplish this task under the so-called primary role of microfinance banks known as financial intermediation (Ekpete, 2017). In broad terms, microfinance is understood as the provision of financial services to the low-income population (Holloh, 2001). From this point of view, loan provision becomes one of the key aspects of the credit component of financial services.

According to the tenth edition of Microfinance Barometer (2019), there are about 139.9 million borrowers who benefited from the loans provided by MFIs in 2018 in the world. The statistics furthermore show an increasing trend as compared to the records of previous years which was about 98 million in 2009. Africa region has recorded an increase of 46 per cent in number of borrowers to about 6.8 million between 2012 and 2018. Although there are no recent statistics for Tanzania on the total value of microfinance loans and number of borrowers, but the latest report from survey done by Microfinance Transparency (2011) showed that there were 414,312 active borrowers in Tanzania, with a gross loan portfolio amounting to Tsh.275.71 billion from all MFIs in 2010.

Small and Medium Enterprises (SMEs) forms an important share in the distribution of beneficiaries of microfinance services particularly loan services. This is due to their

numbers and membership profiles. A report on improving access to finance for SMEs by the World Bank (2018) shows that of all firms in the world, SMEs accounts for the large part which is estimated at over 90 per cent. The report furthermore indicates that there are about 420-510 million micro, small, medium and small enterprises in the world, and that over 85 per cent of these firms being located in developing economies. Given their population, it is certain that large populations of the underserved who take up the loans extended by the microfinance institutions are found in this group. In this case, it makes a little or no sense to study about microfinance loan performance without paying special attention to the importance of SMEs in this sub-sector. MFIs pay their attention to the small business group thereby extending their financial services to this important group in order to effectively and efficiently reach the large population which is underserved and tend to cluster into the SMEs group (IFC, 2017).

However, in their efforts to expand financial services to the SMEs and small entrepreneurs, microfinance institutions are usually faced with multiple challenges. One of the major challenges facing MFIs is loan recovery underperformance, explained in terms of loan repayment rate from the borrowers. Hermes and Hudon, (2018) asserts that while the MFIs are successfully reaching the poor, they are on the other hand reporting the challenge of low levels of repayment. This situation underpins the financial sustainability of MFIs and as a long-term result, limits their ability to extend their services to the poor.

Microfinance Institutions around the world do respond or react to the problem of recovery failures in different ways. Some of those ways include collateral seizure, barring the borrower from future loans and bankruptcy (Solli, 2015). Whatever the

case, these actions are never friendly to the defaulters as they ultimately cause distress and back-step in one's development progress. Furthermore, when low level of loan recovery becomes excessive and with alarming impact on the lender's financial state, it may result to the closure of the lending institution (Cihak and Podpiera, 2005; Viswanadham, 2015).

However, despite the adverse impact of non-repayment of loans both to the borrower and to the lender, and the existing measures that are continuously used to prevent loan defaults, there has always continued to exist a problem of low rate of loan recovery among MSME borrowers. This problem exists in Tanzania also, as found by Kaffenberger (2018). For instance, according to the recent statistics by the Globeconomy.com, the non-performing loans as a percent to all bank loans in Tanzania between 2010 and 2017 ranges between 5.12 and 11.52 with an average of 7.63 percent respectively. The statistics furthermore shows from the year 2013 to 2017, the percent of non-performing loans has been rising from 5.12 to 11.52 (The Global Economy, 2019). This has implication that the loan recovery rate has a decreasing trend.

Mugisa (1995) stated that the loan recovery rates enable the measuring of performing and non-performing asset ratio (ability to measure the recycle of financial resource levels) hence enabling the institution to enjoy public confidence. Efficiency and quick loan recovery minimizes default risk, transport cost for locating the defaulters as well as operating cost thus comfortable loan recovery is any lending institution necessity and Ibrahim (2003) in their study on determinant of loan recovery practices in Bahirdar town identifies loan size, age of beneficiaries, household size, and number of

years of formal education and occupation as the key predictors of loan repayment. Therefore these situations triggered the researcher to look at the issues in the area closely and deeply in order to give the clear descriptions of the loan recovery rate. Moreover, the effect that loan recovery rates may have on future demand of microloans has not been thoroughly studied and as such not known. Thus, the study was aimed to fill gap by examining the determinants of loan recovery rates among MSME borrowers and its effect on future loan demand in Ilala Municipality.

1.2 Statement of Research Problem

Low rate of loan repayment by small entrepreneurs remains a challenge to the lending institutions despite the increase of counter-actions and mitigated measures devised to ensure the collection of loans from borrowers in Tanzania. This problem cuts across all financial institutions engaging in loan provision services to small entrepreneurs in the country. Studies have shown that many institutions such as NMB, Trust Fund and FINCA, just to mention a few, are still suffering from the failure of borrowers to repay their loans (Makorere, 2014). One of the proxy indicators of low level of loan recovery is the percent of non-performing loans to the gross loans. The non-performing loans in Tanzania have been increasing from 5.12percent in 2013 to 11.52 percent in 2017, with an average of 7.63 percent. This indicates that large amounts of loans are withheld by borrowers and that lenders have difficulty in collecting principals and interest on their credits (The Global Economy, 2019).

Various measures have been instituted by the government and put on operation by the financial institutions. These measures are aimed at safeguarding both the lenders and the borrowers thereby reducing the default rates. One of those measures include the

establishment of credit policy, which has been one of the important instruments used by lending institutions in ensuring optimal investment in borrowers (Mpunge, 2014). The credit policy provides the frameworks for loan recovery, credit standards, loan collection efforts as well as loan disbursement (Mpunge, 2014; Gilbert, 2014). However, despite these measures being operationalized by financial institutions, the problem of low repayment rates by small entrepreneurs remains dominant. As a result, low repayment rates undermine the capacity of lenders to expand the provision of loans to the wider public (Makorere, 2014).

This problem has attracted a number of research studies to be conducted on the subject matter. A study by Muganyizi (2015) on determinants of loan repayment found that loan repayment problems are attributed to factors such as corruption, unfair business tax, non-disclosure within families, reallocation of loans to different use and doing business in informal premises. A study done in Kenya by (Nguta, 2013) on loan repayment performance found that performance of loan repayment default is associated with type of business, age of business, number of employees and profits of the business. Another study by (Mkomochi, 2013) suggested that the problem of low repayment is influenced by borrower's characteristics, business characteristics, bank characteristics and regulatory frameworks. However, from these and other similar studies, it is noticeable that the determinants for loan recovery rates are inconclusive and complex to ascertain.

Ibrahim (2003) in their study on determinant of loan recovery practices in Bahirdar town identifies loan size, age of beneficiaries, household size, and number of years of formal education and occupation as the key predictors of loan repayment. Therefore

these situations triggered the researcher to look at the issues in the area closely and deeply in order to give the clear descriptions of the loan recovery rate. Moreover, the effect that loan recovery rates may have on future demand of microloans has not been thoroughly studied and as such not known. Thus, the study was aimed to fill gap by examining the determinants of loan recovery rates among MSME borrowers and its effect on future loan demand in Ilala Municipality.

1.3 General Objective

The general objective of the study was to assess the determinants of loan recovery from MSME borrowers at Ilala Municipality in Dar es Salaam.

1.3.1 Specific Objectives

The specific objectives of the study were:

- (i) To examine whether socioeconomic characteristics are significant in determining loan recovery from MSME borrowers
- (ii) To examine whether institutional and business-related factors are significant in determining loan recovery from MSME borrowers
- (iii) To examine person-related factors are significant in determining loan recovery from MSME borrowers

1.4 Research Questions

Specifically, the research questions under this study were:

- (i) Are socioeconomic characteristics significant in determining loan recovery from MSME borrowers in the study area?

- (ii) Are institutional and business-related factors significant in determining loan recovery from MSME borrowers in the study area?
- (iii) Are person-related factors significant in determining loan recovery from MSME borrowers in the study area?

1.5 Significance of the Study

The study's results will provide a body of knowledge to the existing literature. It will do so shedding light on the factors affecting loan recovery among small entrepreneurs. This will ultimately help inform the creditors and financial institutions devise strategies for addressing the problem of loan defaults in the country. Likewise, the findings of the study will inform the policy makers and therefore become a reference tools for formulating financial policies and regulations which considers the factors that are effective in ensuring smooth running of financial institutions while helping the SMEs to grow.

1.6 Scope of the Study

The study focuses on determining the factors which affect loan recovery among small entrepreneurs. It concerns the loan recovery rates among entrepreneurs who access loans from different financial institutions. However, this study is not a generalization of countrywide situations as it is delimited to only the selected places at Ilala Municipality in Dar es Salaam City by studying the loan recovery rates and the associated factors in the delimited area. It does not go beyond the Ilala Municipality and hence it is not intended to be used to make inference beyond the delimited scope.

1.7 Organization of the Study

The study is divided into six chapters: Chapter one is the general introduction and backgrounds. It explains on the setup of Small and Medium Enterprises (SMEs) and it focuses on the challenges facing small entrepreneur on loan recovering to financial institution. It also presents the research objectives, research questions, scope of the research and significant of the study. Chapter two reviews literature related to the problem under study. It mainly reviews literature on Small and Medium Enterprises and access to finance. Chapter three describes the research methodology including research design, area of study, population of the study, sample size and sampling procedures, data collections and data analysis. Chapter four presents the study findings while chapter five presents the discussion of the study findings. Finally, chapter six presents the research's conclusions recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical and empirical literature reviewed from different publications. The theoretical part concerns the concepts, definitions and theories which in one way or another guides the study of microfinance, micro, small and medium scale enterprises (MSMEs) on the aspect of loan repayment. The empirical part of this chapter presents the review of past similar studies on microfinance loans and MSMEs. The chapter concludes by establishing theoretical and conceptual framework which operationalizes the current study.

2.2 Concepts Definitions

2.2.1 Small Entrepreneurs and Entrepreneurs Policy

Definition of entrepreneurship has evolved broadly, and up to now there is no one definitive definition of entrepreneurship. It is not easy to define entrepreneurship in a single word, because it was a complex phenomenon and it comprised the processes that transform an idea into a firm (Hoffmann et al., 2006). The European Commission quoted “Entrepreneurship refers to an individual’s ability to turn ideas into action,” and the EU Green Paper Entrepreneurship in Europe defined, “Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or existing organization”. Drucker (1985) defined entrepreneurship as an act of innovation that involves endowing existing resources with new wealth-producing capacity. According to Kizner (1982), entrepreneurship was the one who perceived profit opportunity and

initiated action to fill currently unsatisfied needs or to improve inefficiencies. Entrepreneurship can take place when there is a state of task related motivation. Furthermore, this definition was widely used as a reference by researchers in entrepreneurship.

There are several existing entrepreneurship policy model, first is the study of entrepreneurship policy conducted by Lundström and Stevenson (2001) was intended to answer the question “what should be done to produce higher level of entrepreneurial activity”, but limited knowledge exists related to how entrepreneurship policy is constructed.

The study is based on what governments are actually doing in several countries. The object focused on objectives, policy measurement, the weighting of their focus on different policy measures and their rationale. The study found that entrepreneurship policy is different from one country to another. After did a comprehensive study as to entrepreneurship policy in several countries, Lundström and Stevenson came up with the framework on entrepreneurship policy. The framework indicated the relationship between determinant variables and entrepreneurial activities. Determinant variables such as level of economic development, population growth, growth in the immigration rate, growth in per capita GDP, etc.

Lundström and Stevenson (2005), stated that If entrepreneurship is a system that includes entrepreneurs (and potential entrepreneurs), institutions and government actions, and the desired policy outcome is an increased level of entrepreneurial activity, then the role of institutions and governments is to foster environments that

will produce a continuous supply of new entrepreneurs as well as the conditions that will enable them to be successful in their efforts to start and grow enterprises.

In order to do this, the system of entrepreneurship must logically focus on all parts of the individual entrepreneurial process from awareness of the entrepreneurship option to early stage survival and growth of an emerging firm. Lundström and Stevenson (2005), made first efforts to comprehensively define the term of entrepreneurship policy namely, policy measures taken to stimulate entrepreneurship aimed at the pre-start, start-up and early post start-up phases of the entrepreneurship process.

Designed and delivered to address the areas of motivation, opportunity and skills, with the primary objective of encouraging more people to consider entrepreneurship, to move into the nascent stage and proceed into start-up and early phases of a business. Those definitions focused on what is actually done instead of what is only proposed or intended; differentiated a policy from a decision, which is essentially a specific choice among alternatives; and viewed policy as something that unfolded over time. The implications of this concept are that those definitions linked policy to purposive or goal-oriented action rather than to random behavior or chance occurrences. Proposed policies may be usefully thought of as hypotheses suggesting that specific actions be taken to achieve particular goals.

2.2.2 Micro and Small Enterprises

There is a wide range of definitions for Micro and Small Enterprises(MSEs), however aspects such as number of employees, capital invested, number of shareholders, total assets, turnover, market share, geographical market coverage, organizational

complexity, number of shareholders, composition of management and degree of formality are used as a basis for categorization, and this depends on the level of development of the particular country, different countries use various measures of size, depending on their level of development (URT, 2003). The common measure yard sticks are total number of employees, total investment and sales turn over but for the purpose of this study, a MSE is defined as a productive activity either to produce or distribute goods and or services, mostly undertaken in the informal sector (Kessy and Urio 2006).

In the Tanzania context, Micro and Small Enterprises (MSEs) defined by SMEs Development Policy (2006) are those engaging up to four people in most cases family members? On the other hand small enterprises are mostly formalized undertakings engaging between five and 49 employees or with capital investment from Tshs. 5 million to 200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to 800 million (SME Development Policy 2000).

According to the SMEs Development policy for Tanzania, the SMEs cover nonfarm economic activities mainly manufacturing. Mining, Commerce and Service there is no universally accepted definition of SMEs. Different countries use various measures of size, depending on their level of development (URT, 2003). The Small Industries Development Organization (SIDO) classifies small scale industries as those establishments which employ people not exceeding 50 while micro enterprises are those projects which employ 10 people or less (URT, 2003). In Tanzania MSEs covers

all non-economic activities mostly manufacturing, mining, commerce and services (URT, 2003).

2.2.3 Microfinance

Microfinance was defined as basic financial services, like credit, savings and insurance, which give people an opportunity to borrow, save, invest and protect their families against risk (Kaleshu et al, 2011). Micro-finance, which offers a variety of services ranging from savings, credits, to payment transfers, leasing, agriculture is defined as the provision of financial services to low income households, small holder farmers and small micro-enterprises (URT, 2000).

It is also common that MFIs provide non-financial services like social intermediation that is training and education about finance, cooperatives and group formation in order to raise income levels and improve living standards through microenterprises and small business. These services help families to start and build “micro” enterprises, employment, income, and economic vitality in developing countries world-wide (Kaleshu et al, 2011).

2.2.4 Microfinance Institutions in Tanzania

In reflection to the theories; Schumpeterian Theory, Microfinance institutions in Tanzania is one of the approaches that the government has focused its attention in recent years in pursuit of its long term vision of providing sustainable financial services to majority of Tanzanian population. Before, the current financial services for rural, micro and small enterprises were offered by the National Bank of Commerce (NBC) and the Cooperative and Rural Development Bank (CRDB).

Since 1991, the government has been implementing financial sector reforms aimed at putting in place a competitive efficient and effective financial system. Although the reforms have had reasonable success in bringing about the growth, competitive and efficient mainstream banking sector. It has not brought about increased access to basic financial services by majority of the Tanzanians, particularly the low income earners.

The realization of the above shortcoming led to the government's decision to initiate deliberate action to facilitate alternative approaches in the creation of a broad based financial system comprising of a variety of sustainable institutions with wide outreach and offering diverse financial products.

The government's choice of microfinance has the potential to contribute considerably to the economic development of the country because it is more adapted to the needs of the low income population which makes up the majority of Tanzanians. The financial sector reforms of 1991 have to a considerable extent, pushed low income earners out of formal financial services. The government as well as private institutions recognize the need for the financial services for the low income earners (William, 2003).

Financial reforms were embodied in the Banking and Financial Institutions Act.1991. In the same year, the Cooperative Societies Act .1991 provided the basis for the development of savings and credits cooperative societies (SACCOS) as equity based institutions. It is in this context that specific programs and institutions for low income earners were initiated. More recent initiatives include those of the Tanzania Postal Bank, NMB, Entrepreneurs Fund to mention just a few.

The National Microfinance Policy of May, 2000 stipulates that for the majority of Tanzanians, whose income are very low, access to financial services offers the possibility of managing scarce household and enterprise resources more efficiently, protection against risks, provision for the future and taking advantage of investment opportunities. For households, financial services allow higher standard of living to be achieved with the same resource base, while for enterprises and farmers, financial services can facilitate the pursuit of income growth.

Today, Microfinance Institutions number more than 7,000 worldwide, a level unimaginable 20 years ago. Yet, while Microfinance services have grown, so have the number of poor. In Sub-Saharan Africa, about 48% of the population lives on less than 1 U.S dollar per day. In South Asia alone, more than half a billion people still live below the poverty line. As policy makers look toward financing innovative programs that help curb the growth of burgeoning poverty. MFIs can offer some hope, but only if policy makers and development practitioners understand the services that the poor demand and if they can learn from the experience of the government and nongovernmental programs that have allowed innovation to flourish and the particular finance needs of the poor to take center stage (International Food Policy Research Institute, 2002).

2.3 Theoretical Review

2.3.1 Developments in the Theory on MSEs

The last 50 years have seen important growths in the conceptualization of the main issues relating to the MSE sector and subsequent theoretical work. The main theory, which goes back to the seminal work by Lewis (1955), is the labour surplus theory. It

is argued that the motivating force behind MSE development is excess labour supply, which cannot be immersed in the public sector or large private enterprises and is forced into MSMEs in spite of poor pay and low productivity.

Arguably, the MSME sector develops in response to the growth in unemployment, functioning as a place of last resort for people who are unable to find engagement in the formal sector. MSMEs are expected to grow in periods of crisis, when the formal sector contracts or grows too slowly to absorb the labour force. However, when formal occupation develops, the MSE sector is assumed to contract again and thus advances an anti-cyclical relationship with the formal economy. Particular consideration has been paid to the behavior of the MSE sector before and after the introduction of structural adjustment policies; examples include Daniels (1994).

2.3.2 Schumpeterian Theory on MSME Growth

Schumpeter's (1934) theory of innovative profits highlighted the role of entrepreneurship and the seeking out of opportunities for innovative value and generating activities which would expand (and transform) the circular flow of income through risk taking, pro-active by the enterprise leadership and innovation which aims at nurturing opportunities through intellectual capital of entrepreneur to exploit the potential profit and development. Schumpeterian growth theory goes beyond economist theory by differentiating explicitly between physical and intellectual capital, and between saving, which makes physical capital grow, and innovation, which makes intellectual capital grow.

Endogenous growth theory challenges this neoclassical view by proposing channels through which the rate of technological progress, and hence the long-run rate of

economic growth, can be influenced by economic factors. It starts from the observation that technological progress takes place through innovations, in the form of new products, processes and markets, many of which are the result of economic activities. For example, because firms learn from experience how to produce more efficiently, a higher pace of economic activity can raise the pace of process innovation by giving firms more production experience. Also, because many innovations result from R&D expenditures undertaken by profit-seeking firms, economic policies with respect to trade, competition, education, taxes and intellectual property can influence the rate of innovation by affecting the private costs and benefits of doing R&D (Dinopoulos and Thompson, 1998).

Schumpeter, as cited by Swedberg (2000), pointed out economic behavior is somewhat automatic in nature and more likely to be standardized, while entrepreneurship consists of doing new things in a new manner, innovation being an essential value. As economics focused on the external influences over organizations, he believed that change could occur from the inside, and then go through a form of business cycle to really generate economic change. For Schumpeter, the entrepreneur is motivated by the desire for power and independence, the will to succeed, and the satisfaction of getting things done (Swedberg, 2000).

2.4 Empirical Review

2.4.1 Review of Studies Done Worldwide

According to the research which was conducted by Stokes David (1997), he revealed the importance of financing to SMEs in USA and UK for individual economic growth as well as national economy. He linked his research with the Bolton Report (1971), in

view of the actual and potential contribution of small firms to the overall health of the economy there was created a small division under a Ministry for small Firms. This was implemented by the establishment of the Small Firms Service within the Department of Industry (UK).

The particular concern of the report was that Government policies should encourage and support the sector, not accelerate its decline through an unfair burden of regulations, paper work and taxes. We believe that the health of the economy requires the birth of new enterprises in the substantial numbers and the growth of some to a position from which they are able to challenge and supplant the existing leaders of the industry. This seedbed function, therefore, appears to be a vital contribution of the small firms sector to the long-run health of the economy. The growth in employment in the USA between the mid-1960s and mid-1980s was phenomena, Bolton report (1971).

Ryan (1993) adopted Bolnick and Nelson's (1990) approach and conducted an ex post evaluation of one financial source for small businesses, Small Enterprises Development Organization of Malawi (SEDOM). He used a survey method (covering 50 firms) to assess the impact that firms have received in terms of loans from SEDOM. In assessing the impact Ryan, in addition to other effects, looked at whether or not the enterprises achieved the objectives listed as objectives of the schemes. The variables used reflect the objectives of SEDOM were employment generation, technology employed and linkages. The results of the study showed that the scheme as a whole created about 1,873 jobs at a relatively low cost of Malawian Kwacha 1,000

per job. The study also found out that significant backward linkages to the agricultural sector were created as a result of manufacturing firms receiving loans.

2.4.2 Review of Studies Done in Africa

Quianoo (2011) conducted a study in Ghana. The general objective of his study was to investigate the contribution of loans to SMEs performance. The bank financing is tremendously attractive and seems to be realistic and a more reliable source to SMEs. Another study was done by Koech, (2011) conducted a study to find out the financial constraints that hinder growth of SMEs in Kenya. The researcher adapted the case study approach and targeted SMEs in Kamukunji District.

The study used structured questioners as main tool for data collection. Data was analyzed and by explanatory factor analysis and descriptive analysis with the help of SPSS to obtain percentages and frequency distribution tables. The factor hindering growth of SMEs were identified as capital access, cost, capital market, collateral requirements, information access, capital management and cost of registration. The study recommended that business financiers through loans consider reducing collateral requirements to facilitate SMEs easy access to loans.

Many respondents claimed that they are able to access to microfinance loans and achieved their goals. The findings of the study reveal that significant number of the SMEs benefited from the MFIs loans even though only few of them were capable enough to secure the required amount needed. Interestingly, majority of the SMEs acknowledge positive contributions of MFIs loans towards promoting their market share, product innovation achieving market excellence and the overall economic

company competitive advantage. Other than tax incentives and financial supports, was recommended that Government should try to provide sufficient infrastructural facilities such as electricity, good road network and training institutions to support SMEs in Nigeria.

2.4.3 Review of Studies Done in Tanzania

In Tanzania, several studies have been done on microfinance institutions service, one of the researcher who have done research on MFI service is Kuzilwa and Mushi (1997) examined the role of credit in generating entrepreneurial activities. He used qualitative case studies with a sample survey of business that gained access to credit from a Tanzanian government financial source. The findings reveal that the output of enterprises increased following the access to the credit. It was further observed that those enterprises, whose owners received business training and advice, performed better than those who did not receive training. He recommended that an environment should be created where informal and quasi-informal financial institutions can continue to be easily accessed by small and medium businesses.

Makorere (2014) examined the factors affecting loan repayment behaviour in Tanzania because experiences show that many financial institutions still are facing poor loan recovery. Convenience sampling technique was used in the selection of 100-sample size. Data was collected using questionnaires. Descriptive statistics was used to analyze the data collected. The study findings established that the uttermost factors like interest rate, grace period, profitability, moral hazard, electricity rationing, and economic stability have strong effects in stimulating loan repayment behaviour in

Tanzania. The study thus concluded that government intervention is important and financial institutions should assess credit risk management adequately using collateral, condition, characters, capacity and capital measurement to control delinquency rate.

Chijoriga (2000) evaluated the performance and financial sustainability of MFIs in Tanzania, in terms of the overall institutional and organizational strength, client outreach, and operational and financial performance. 28 MFIs and 194 SMEs were randomly selected and visited in Dar es Salaam, Arusha, Morogoro, Mbeya and Zanzibar regions. The findings of this revealed that, the overall performance of MFIs in Tanzania is poor and only few of them have clear objectives, or a strong organizational structure.

It was further observed that MFIs in Tanzania lack participatory ownership and many are donor driven. Although client outreach is increasing, with branches opening in almost all regions of the Tanzanian mainland, still MFIs activities remain in and around urban areas. Their operational performance demonstrates low loan repayment rates. In conclusion, the author pointed to low population density, poor infrastructures and low house hold income levels as constraints to the MFIs' performance.

Another study on microfinance in Tanzania were carried out by Rweyemanu et al (2003), he evaluated the performance and constrains facing semi-formal microfinance institutions in providing credit in Mbeya and Mwanza regions. The primary data were collected through a formal survey of 222 farmers participating in the Agriculture Development Programme in Mbozi and the Mwanza Women Development Association in Ukerewe .In the analysis of their study the interest rates were found to

be a significant barrier to the borrowing decision. Also the borrowers cited other problems like lengthy credit procurement procedures and the amount disbursed being inadequate. On the side of institutions, Mbeya and Mwanza credit programme experienced poor repayment rates, especially in the early years of operation, with farmers citing poor crop yields, low producer prices and untimely acquisition of loans as reasons for non-repayment.

In a study conducted by Kessy and Urio (2006) on contribution of MFI on poverty reduction in Tanzania, the researchers covered four regions of Tanzania which are Dar es Salaam, Zanzibar, Arusha and Mwanza. Both primary and secondary data were collected; primary data were collected from 352 SME's through questionnaires, interviews were also conducted. PRIDE (T) Ltd which is a microfinance institutions were used as a case study so as to get the insight of MFI operations.

The study findings pointed out that to large extent MFI operations in Tanzania has brought positive changes in the standard of living of people who access their services, clients of MFI complained about high interest rate charged, the weekly meeting was pointed out as barrier as the time spent in weekly meeting could be used to other productive activities. The study recommended MFI to lower its interest rate, increase grace period and provide proper training to SMEs.

2.5 Research Gap

From the reviewed previous studies failed to examined determinants of loan recover from MSME in Tanzania. Previous studies failed to examined factors causes delay of loans payments to financial institutions as now days there is a lot of financial

institutions provides loans to SME because these SME are big clients to financial institutions. Studies have shown that many institutions such as NMB, Trust Fund and FINCA, just to mention a few, are still suffering from the failure of borrowers to repay their loans (Makorere, 2014). This issues generates financial institutions to performing loss to their business due to failure of loan recovery from SME.

Therefore these situations triggered the researcher to look at the issues in the area closely and deeply in order to give the clear descriptions of the loan recovery rate. Moreover, the effect that loan recovery rates may have on future demand of microloans has not been thoroughly studied and as such not known. Thus, the study was aimed to fill gap by examining the determinants of loan recovery rates among MSME borrowers and its effect on future loan demand in Ilala Municipality

2.6 Analytical/Conceptual Framework

This study was guided by the conceptual framework under which loan recovery rate (dependent variable) is driven by a number of factors (independent variables) which were grouped into three: Socioeconomic characteristics of the borrower which includes gender, age, marital status, family size, income level and education level; Institutional and business-related factors which includes interest rate, loan period, repayment frequency and type of business; and Person-related factors which includes borrower's attitude, loan spends and borrower's experience in business. The research assumed that the external factors such as economic environment and political situation could alter the way how the independent variables affect the dependent variables, See Fig.1.

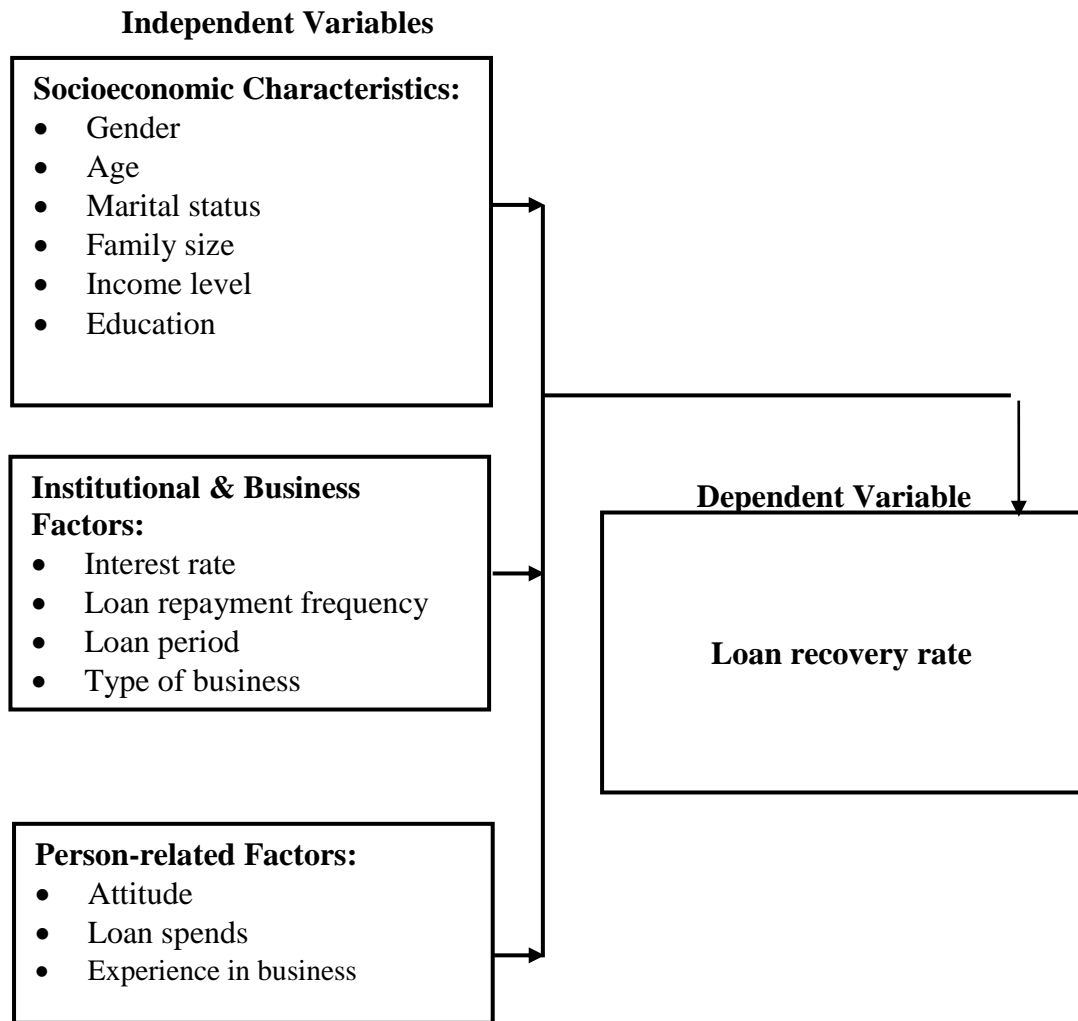


Figure 2.1: Conceptual Framework, Researcher 2019

2.7 Research Hypotheses

- (a) (i) **H₀₁**: Socio-economic characteristics of borrowers are not determining in explaining loan recovery in the study area.
- (ii) **H₁₁**: Social- economic characteristics of borrowers are determining in explaining loan recovery in the study area.
- (b) (i) **H₀₂**: Institutional and business-related factors are not significant in determining loan recovery in the study area.
- (ii) **H₂₂**: Institutional and business-related factors are significant in determining loan recovery in the study area.

- (c) (i) **H₀₃**: Person-related factors are not significant in determining loan recovery in the study area.
- (ii) **H₃₃**: Person-related factors are significant in determining loan recovery in the study area.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was used to collect and analyze data. It shows the research design, area of the study, population and sampling methods. The methodology also shows data collection methods, data collection instruments and data analysis methods.

3.2 Research Design

The study employed cross-sectional research design. It is not repetitive in nature as it is carried out once at a particular point in time. Moreover, it facilitates the study to examine a section of the population at a single-time period (Kothari, 2004). A non-experimental cross-sectional research design was employed to study the determinants of loan recovery from MSME borrowers at Ilala Municipality in Dar es Salaam. This design was chosen based on its relevancy as it enabled the researcher to thoroughly collect information about the MSME borrowers in the study area.

3.3 Area of the Study

The study was conducted in Dar es Salaam to assess the factors affecting loan recovery among small entrepreneurs at Ilala Municipality in Dar es Salaam City. This area was chosen for this study because it is one of the important commercial districts which accommodates a large number of micro, small and medium enterprises and is also accessible to many financial institutions found in the City. The latest baseline survey of micro, small and medium enterprises of Tanzania reports that Dar es Salaam

Region has about 405,902, equivalent to 14.73 per cent of all SMEs which is about 2,754,697 (Ministry of Trade and Industry, 2012).

3.4 Target Population

Population is defined as a full set of cases from which a sample is taken (Saunders et al, 2002). Thus, a population refers to the people that the researcher has in mind from whom data can be obtained. The study population involved small entrepreneurs who have once or several times taken a loan from a financial institution within the last three years. The range of three years period was chosen because it allows for the coverage of loan recovery period for majority of the micro-loans and hence provide a better position for identifying repayment patterns.

3.5 Sample Design and Procedure

3.5.1 Sample Design

This study used both probability and non-probability sampling techniques. Under non-probability sampling, the purposive sampling technique was used to select loan beneficiaries (borrowers). This means the non-borrowers were not included in the sample. Under probability sampling, simple random sampling technique was used to select individuals whereby every member of the respective population had equal chance of being selected. This technique was chosen because of homogeneous characteristics of the sample frame.

3.5.2 Sample Frame

The sample frame for this study constituted small entrepreneurs who reside or operate their businesses at Ilala Municipality and have a record of taking loan from one or several sources existing.

3.5.3 Sampling Unit

This study used individual as a sampling unit whereby individual owners/operators of SMEs (small entrepreneurs) were picked from the population and included in a sample.

3.5.4 Sample Size

Since there are no official statistics of small entrepreneurs in the study area, the researcher estimated the sample size by using proportion formula as proposed by Cochran (1977). This formula was chosen because it is suitable for sample proportions especially when simple random sampling technique is used.

Using this formula, the sample size has thus been computed as follows;

$$n_0 = \frac{z^2 \cdot p \cdot q}{e^2} \dots \dots \dots (1)$$

Where;

n_0 → Sample size;

z^2 → Selected critical value of desired confidence level (i.e. 95% = 1.96);

p → Estimated proportion of small entrepreneurs present in the study area = 0.5

q → $1 - p = 1 - 0.5 = 0.5$

e → The desired level of precision (Accepted error) = $\pm 10\% = 0.1$

Therefore;

$$n_0 = \frac{1.96^2 \times 0.5 \times 0.5}{0.1^2} = 96$$

Hence, the sample size for this study was 96.

3.5.5 Sampling Procedure

Samples for this study was drawn from the delimited sample frame on a random basis whereby all members of the delimited population had equal chance of being selected.

3.6 Variables and Measurement Procedures

3.6.1 Dependent Variable

The dependent variable under this study is the rate of successful loan recovery (Y), a continuous variable measured in terms of percentage of successful loan recovery.

3.6.2 Independent Variables

In this study the independent variables are as presented in Table 1. Below.

Table 3.1 List of Independent Variables

Label	Variable	Description
S_1 :	Age of borrower	A continuous variable expressed in years
S_2 :	Gender	A dummy variable with values 1 for Male and 0 for Female
S_3 :	Marital status	A dummy variable with values 1 for married and 0 otherwise
S_4 :	Income status	Ordered categorical variable with values 1, 2 and 3 for Low, Medium and High-income levels respectively
S_5 :	Education level	Categorical variable with values 1, 2, and 3 for no formal education, primary school, and post-primary education respectively.
S_6 :	Family size	A count variable expressed in terms of number of borrower's dependents
I_1 :	Interest rate	A continuous variable expressed as annual percentage charge for a loan
I_2 :	Loan period	A continuous variable expressed as number of years required to recover the loan
I_3 :	Repayment frequency	A count variable expressed as number of loan repayments required per annum
I_4 :	Type of business	Categorical nominal variable with values 1,2, and 3 for Sales of goods, Service provision, and Manufacturing of goods respectively.
P_1 :	Attitude	A dummy variable with values 0 for Negative, and 1 for Positive. The attitude variable was derived from a set of Likert scale questions with values ranging from 1=strongly disagree to 5=strongly agree
P_2 :	Loan spends	Dummy variable with values 1 for correctly spent on targeted purpose and 0 for otherwise
P_3 :	Experience in business	A continuous variable expressed as number of years which a borrower has been in business

3.6.3 Regression Models

Regression model is an econometric model which is used to study the relationship between two variables. Various types of regression exist, the most common being; linear regression models, non-linear regression models, probability linear regression models, logistic regression, just to mention a few (Wooldridge, 2012).

The study were used multiple linear regression model to examine the determinants of loan recovery from MSME borrowers. The multiple regression model is an extended version of the simple linear regression model which models the relationship between a continuous response variable in one side and a set of explanatory variables (regressors) on the other side. This model was chosen basing on the nature of the response (independent) variable, i.e. recovery rate which is continuous. The models being used in this study is based on the following theoretical model.

Simple linear regression model:

$$y = \beta_1 x + u \dots \dots \dots (2)$$

Equation (1) is representation of a simple or a two-variable or bivariate linear regression model, having one response variable (y) and one regressor (x), plus the error term (u). From this simple model, having many regressors a multiple regression model was adopted from the following theoretical model.

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \dots \beta_k x_k + u \dots \dots \dots (3)$$

From the above background, three multiple regression models were developed and used to model the determinants of loan recovery in Ilala Municipality. The three models were developed with respect to the three groups of variables: socioeconomic

factors, institutional and business-related factors, and the person-related factors, each group with its respective regression model as described in Table 1 and presented in equations 3, 4 and 5.

(i) Regression model for Socioeconomic determinants of loan recovery

$$\hat{Y} = \beta_0 + \beta_1 S_1 + \beta_2 S_2 + \beta_3 S_3 + \beta_4 S_4 + \beta_5 S_5 + \beta_6 S_6 + \varepsilon \dots \dots \dots (4)$$

(ii) Regression model for Institutional and business determinants of loan recovery

$$\hat{Y} = \alpha_0 + \alpha_1 I_1 + \alpha_2 I_2 + \alpha_3 I_3 + \alpha_4 I_4 + \varepsilon \dots \dots \dots (5)$$

(iii) Regression model for person-related determinants of loan recovery

$$\hat{Y} = \alpha_0 + \alpha_1 P_1 + \alpha_2 P_2 + \alpha_3 P_3 + \varepsilon \dots \dots \dots (5)$$

3.7 Methods of Data Collection

3.7.1 Primary Data

This study used primary data which included both qualitative and quantitative. Data were collected directly from MSME borrowers in three wards: Mchikichini, Gongolamboto and Buguruni respectively. The enumerators visited the survey area and collected data directly from the respondents using a questionnaire.

3.8 Research Instruments

Basing on the nature of the study and the type of information needed, a questionnaire was used as the main tool for data collection. The questionnaire constituted a list of semi-structured questions which was administered by the enumerators through face to face interview. In order to ensure data quality, the questionnaire was transferred to CAPI-Survey solution application in order to allow data collection and data entry

through android devices such as smart phone and tablets. Each enumerator was assigned specific number of questionnaires to complete from the field. Android Devices loaded with digital questionnaires were used by enumerators to collect data through enumerator-administered technique.

3.9 Instrument Validity and Reliability

3.9.1 Instrument Validity

The study employed construct validity whereby the obtained data through the questionnaires represents a theoretical concept meaningfully and accurately. This method was considered liable after a pilot study which was conducted using test-retest method to same group of respondents yielding consistent results. The test-retest method that was used in testing instrument validity yield consistent results (100% consistency). The questionnaire was also tested for reliability using test-pre-test method to ensure reliability. Instrument validity was checked against the following aspects;

Internal Validity: Pilot study was used to test questionnaires. Piloting by testing the questionnaires prior to sending them to the selected sample ensure internal validity of the study. This was done to ensure that the questions ask concentrate on the issues essential to the survey. This also ensured that the right questions with proper ingredients will ask. This was done to increase the reliability of answers and their consistency throughout the survey questionnaires. The questions were checked against a set of questions use in similar researches that were undertaken previously.

Face Validity: Validity is the degree to which the findings correctly map the phenomenon in question. The researcher utilized other professionals, research

colleagues and other experts to examine the questionnaires to ensure facial validity and the contents. Their comments and suggestions were used to revise the questionnaire before preparing the final instrument.

Content Validity: The content validity refers to the representativeness of the item content domain: the manner in which the questionnaire and its items are built to ensure the reasonableness of the claims of content validity. The rigorous procedures was used to select the questionnaire constructs to form the initial items, personal interviews with experts, and the iterative procedures of scale purification imply that the instrument had strong content validity.

3.9.2 Instrument Reliability

Reliability defined as the extent to which results are consistent overtime (Saunders, Lewis & Thornhill, 2012). Reliability has to do with accuracy and precision of measurement procedures. Pilot study was done to test whether the tools are truly measuring what they intended to measure (Kothari 2007). Reliability of the tool was made by piloting the questionnaires before a comprehensive exercise of data collection to see if the tool can give consistent response from different respondents.

3.10 Data Processing, Analysis and Presentation

3.10.1 Data Processing

Processing of data started during the actual data collection whereby the supervisor of data collection and the administrator of the delimited data server i.e. <https://dasc.mysurvey.solutions> had to check the interview questionnaires submitted by enumerators for quality and errors before approving and accepting them into the server. After data collection the collected data was exported from Survey Solution

server into computer Stata software, and then re-checked for validity, edited, coded, cleaned and prepared for analysis. The processing of data was done by using Ms. Excel, IBM SPSS Ver. 25 and Stata Ver.13.

3.10.2 Data Analysis

After processing, data analysis was done. Preliminary analysis for descriptive statistics such as mean, percent and range were done at this stage. Before progressing to the main analysis, various checks were performed to identify the type of analysis model to be used. In this respect, since the outcome variable, i.e. loan recovery rate is a continuous variable, the researcher determined to use linear regression models. This prompted further checks for the regression assumptions.

The checks that were performed involved: free from outliers, checks for linear relationship between dependent and independent variables, heteroskedasticity, multicollinearity, normality of the residuals and independence of observations. Data passed most of the assumption checks with exception of heteroskedasticity which of course was realized to be caused by presence of outliers in some of the continuous independent variables especially, and normal distribution of residuals. From among the various ways of remedying the assumptions of the OLS, the researcher decided to implement the robust regression in order to correct for outliers and heteroskedasticity. Univariate analysis was then performed by involving bivariate robust linear regression analysis to determine the association between dependent and independent variables. After univariate analysis, robust multiple linear regression was carried out to examine the determinants of loan recovery from MSME borrowers in the study area.

CHAPTER FOUR

DATA ANALYSING AND FINDINGS

4.1 Introduction

This chapter presents the findings from the study undertaken to assess the determinants of loan recovery from MSME borrowers at Ilala Municipality in Dar es Salaam, Tanzania. The results are presented with respect to the objectives of the study which were to: examine socioeconomic factors affecting loan recovery from MSME borrowers; examine institutional and business-related factors affecting loan recovery from MSME borrowers and; examine person-related factors affecting loan recovery from MSME borrowers. The presentation of findings begins with descriptive statistics summary of key findings. A sample size of 96 MSME borrowers was used to analyze the determinants of loan recovery in the study area and results are as presented in the proceeding sections.

4.2 Demographic and Socio-economic Characteristics of Respondents

Table 4.2 presents summary statistics on demographic and socio-economic characteristics of respondents. Data on socio-demographic characteristics such as age, gender, marital status, borrower's dependents, income status as well as education were collected.

The mean age was 37 years, with 23 and 58 as the minimum and maximum age respectively. About 53(55.2%) of respondents were youths of ages 35 and below while adults above 35 years were 43(45 %). Male respondents were 42(43.8%) while the females accounted for 54(56.3%). With regard to the current marital status, 67(56.3%) were married while 29(43.8%) were not married.

The number of dependents of the respondents ranged between 0 and 10 with mean of 4. Of all interviewed respondents, 53(55.2%) were from the medium income group while 40(41.7%) and 3(3.1%) were from the low- and high-income groups respectively.

Table 4.1: Socio-economic Characteristics of Respondents

Socio-demographic characteristic	n/N	%	95%CI
Borrower's Age:			
Mean age in years (range)	37(23-58)	-	35.793-38.957
Youth 35 years and below	53/96	55.2	0.450 - 0.650
Adults above 35 years	43/96	44.9	0.350 - 0.550
Borrower's Gender:			
Female	54/96	56.3	0.460 - 0.660
Male	42/96	43.8	0.340 - 0.540
Borrower's Marital Status:			
Married	67/96	69.8	0.597 - 0.783
Not Married	29/96	30.2	0.217 - 0.403
Borrower's Dependent's:			
Mean number of dependents (range)	4(0-10)	-	3.294 - 3.977
Borrower's Income Status:			
Low income	40/96	41.7	0.321 - 0.519
Medium income	53/96	55.2	0.450 - 0.651
High income	3/96	3.1	0.110 - 0.940
Borrower's Education:			
No formal education	4/96	4.2	0.150 - 0.108
Primary school	22/96	22.9	0.154 - 0.326
Post-primary education	72/96	72.9	0.630 - 0.810

4.3 Institutional and Business Characteristics

Table 4.3 presents summary statistics on institutional and business characteristics. For the purpose of this study, the key institutional and business characteristics included

interest rate, loan period, repayment frequency as well as the type of business operated by the respondents. Out of all interviewed respondents, only 5(5.2%) had loans of interest rates below 10 per cent while 91(94.8%) had loans with interest rates of 10 per cent and above. Loan duration ranged between 1 and 6 years with a mean of 2.5 years.

78(81.3%) respondents had loans that is required to be paid back in 3 year and below and only 18(18.8%) had loans with payback period of more than 3 years. The loan repayment frequency for most of respondents ranged between 1 and 12 with mean of 11 times per annum. Regarding the type of business operated by respondents, 59(61.5%) of all businesses operated/owned by the respondents are in the category of service provision while 34(35.4%) and 3(3.1%) are in the categories of sales of goods and manufacturing respectively. 74(71.1%) of the businesses were in start-up stage while 22(22.9%) were in maturity stage.

Table 4.2: Institutional and Business Characteristics

Institutional Factors	n/N	%	95%CI
Source of Loan:			
Banks and Financial institutions	33/96	34.4	0.254 - 0.446
Non-Bank financial institutions	30/96	31.3	0.227 - 0.414
Government funds and Programme	5/96	5.2	0.021 - 0.121
Informal Financial service providers	28/96	29.2	0.208 - 0.392
Interest Rate:			
Mean interest in percent (range)	17.08(0-50)	-	15.429 - 17.550
Below 10 percent	5/96	5.2	0.021 - 0.121
10 percent and above	91/96	94.8	0.879 - 0.979
Loan Duration:			
Mean time in years (range)	2.5(1-6)	-	2.197 - 2.803
3 years and below	78/96	81.3	0.720 - 0.880
Above 3 years	18/96	18.8	0.120 - 0.280
Loan Repayment Frequency per annum:			
Mean frequency (range)	11(1-12)	-	10.928 - 11.843

4.4 Person-related Characteristics with Respect to Borrowing

Table 4.4 shows summary statistics on personal-related characteristics. The study collected information regarding the person-related attributes that are related to borrowing which includes: attitude to loan repayment, spending of the borrowed loans and experience in business. The attitude was measured on a Likert scale which had a set of five questions each with five levels of agreement. The results of the linear scale were translated into attitude. The minimum score on the Likert score was 3 and maximum was 5, with mean score of 3.8. For the purpose of rating, the attitudes were grouped into two levels; negative and positive whereby any score above 3 were translated as positive attitudes and the rest as negative.

Table 4.3: Person-related Characteristics of Respondents

Personal Factors	n/N	%	95%CI
Borrower's Attitude to loan repayment:			
Mean score on attitude scale (range)	3.8(3-5)		6.646 - 3.917
Negative attitude (likert score below 3)	0	-	-
Neutral attitude (likert score =3)	34/96	35.4	0.264 - 0.456
Positive attitude (likert score above 3)	62/96	64.6	0.544 - 0.736
Spends of loan taken:			
Spent on targeted purpose	48/96	50.0	0.400 - 0.600
Spent on different purposes	48/96	50.0	0.400 - 0.600
Borrower's Experience in Business:			
Mean experience in years (range)	6(2-19)	-	5.361 - 7.306
Under 5 years	42/96	43.8	0.340 - 0.340
5 years and above	54/96	56.3	0.460 - 0.660
Type of Business:			
Sales of goods	34/96	35.4	0.264 - 0.456
Service provision	59/96	61.5	0.512 - 0.708
Manufacturing of goods	3/96	3.1	0.010 - 0.094

In this respect, 62(64.6%) of all respondents were rated positive attitude and 34(35.4%) were rated negative attitude. Regarding loan spending, 48(50%) respondents spent their loans on the targeted purpose of borrowing and the other 48(50%) spent their loans on other different needs. The respondents' experience in business ranged from 2 to 19 years respectively with a mean of 6 years. 54(56.3%) respondents had 5 years of experience and above in business activities while 42(43.8%) respondents had less than 5 years of experience in business.

4.5 Loan Recovery Rate

Loan recovery rate was considered the main variable of interest by the researcher which was regarded as the outcome variable under this study. Loan recovery rate was computed from loan repayment patterns by respondents against the amount that was due for repayment at the latest repay date. This involved dividing the cumulative amount paid as at the latest payment period by the amount that the borrower was supposed to have paid by the latest pay time. The resulting proportion was then multiplied by 100 to obtain the recovery rate.

Table 4.4: Loan Recovery Rate from MSME Borrowers

Loan Recovery Rate	n/N	%	95%CI
Mean recovery rate in percent (range)	86.36(22-100)	-	81.994 - 90.735
Recovery rate 25 and below	3/96	3.3	0.010 - 0.094
Recovery rate between 25 and 75	22/96	22.9	0.155 - 0.326
Recovery rate above 75	71/96	74.0	0.641 - 0.819

In this regard, the loan recovery rate ranged between 22.2 and 100, with mean recovery rate of 86.4 percent respectively. 71(74%) respondents had loan recovery rate above 75 percent while 22(22.9%) had recovery rate between 25 and 75 percent and the rest 3(3.3%) had recovery rate that is below the 25 percent.

4.6 Determinants of Loan Recovery from MSME Borrowers

4.6.1 Socioeconomic Factors

Table 4.5 presents regression estimates for socioeconomic variables. Multiple regression analysis was carried out to examine whether age, gender, marital status, income status, education level and family size affect loan recovery. The analysis was done to test the hypothesis that socio-economic factors do not significantly affect loan recovery from MSME borrowers in the study area.

These variables statistically significantly predicted loan recovery rate, $F(8, 87) = 4.13$, $\text{Prob} > F = 0.0003$, $R^2 = 0.2112$. All six variables added statistically significantly to the prediction, $p < .05$. Multiple regression statistics also showed positive effect on loan recovery and were statistically significant for medium income group (Coef. 10.514, $t = 2.15$, $P = 0.034$) and post primary education (Coef. 25.356, $t = 3.17$, $P = 0.002$).

On the other hand, results showed negative effect on loan recovery but not statistically significant for age (Coef. -0.4516, $t = -1.78$, $P = 0.078$), and male-gender (Coef. -0.978, $t = -0.23$, $P = 0.822$), whereas marital status for married (Coef. 7.018, $t = 1.38$, $P = 0.171$) and family size (Coef. 1.685, $t = 1.54$, $P = 0.127$) showed positive effect but not statistically significant in determining loan recovery rate.

Table 4.5 Socio-economic Determinants of Loan Recovery

	Unadjusted Bivariate Robust				Multivariable Adjusted Robust			
Variable	Coef.	t	P-Value	95% CI	Coef.	t	P-Value	95% CI
Socioeconomic factors								
Age								
Age	0.194	0.68	0.497	-0.372 0.761	-0.4516	-1.78	0.078	-0.955 0.051
Borrower's Gender:								
Female	Ref		Ref		Ref		Ref	Ref
Male	0.477	0.11	0.913	-8.210 9.165	-0.978	-0.23	0.822	-9.584 7.627
Borrower's Marital Status:								
Not Married	Ref		Ref		Ref		Ref	
Married	9.836	1.78	0.078	-1.142 20.813	7.018	1.38	0.171	-3.086 17.123
Borrower's Income Status:								
Low income	Ref.		Ref.	Ref.	Ref.		Ref.	Ref.
Medium income	14.29	3.03	0.003	4.916 23.664	10.514	2.15	0.034	0.786 20.243
High income	13.617	1.67	0.098	-2.543 29.777	5.893	0.66	0.511	-11.846 23.632
Education level								
No formal education	Ref.		Ref.	Ref.	Ref.		Ref.	Ref.
Primary school	18.086	1.68	0.097	-3.332 39.505	18.036	1.96	0.053	-0.276 36.347
Post-primary education	29.231	3.02	0.003	10.024 48.4378	25.356	3.17	0.002	9.443 41.268
Family size								
Number of dependents	2.785	2.54	0.013	0.612 4.959	1.685	1.54	0.127	-0.4885 3.858 43.237
Constant					64.037	6.12	0.000	84.838

4.6.2 Institutional and Business-Related Factors

Table 4.6 presents regression estimates for institutional and business-related variables. Multiple regression analysis was carried out to examine whether interest rate, loan period, repayment frequency, and type of business affect loan recovery. The hypothesis behind this analysis was that interest rate, loan period, repayment frequency and type of business do not significantly affect loan recovery.

Table 4.6: Institutional and Business-Related Factors Affecting Loan Recovery

	Unadjusted Bivariate Robust Regression				Multivariable Adjusted Robust Regression			
Institutional and Business-related Factors:	Coef.	t	P- Value	95% CI	Coef.	t	P- Value	95% CI
Interest Rate:								
Interest rate	-0.368	-1.27	0.209	-0.946 0.209	-0.493	-1.33	0.186	-1.227 0.242
Loan Period:								
Loan duration	-2.604	-1.78	0.079	-5.517 0.308	-2.749	-1.77	0.080	-5.831 0.333
Repayment Frequency per annum:								
Repayment frequency	0.504	0.47	0.639	-1.624 2.634	0.655	0.51	0.612	-1.900 3.210
Type of Business:								
Sales of goods	Ref.		Ref.	Ref.	Ref.		Ref.	Ref.
Service provision	-10.060	-2.49	0.014	-18.077 -2.042	-13.00	-3.00	0.004	-21.629 -4.381
Manufacturing of goods	7.694	3.14	0.002	2.827 12.560	4.216	1.49	0.139	-1.3913 9.824
Constant					102.051	5.99	0.000	68.231 135.871

The results showed that the four variables statistically significantly predicted loan recovery rate, $F(5, 90) = 6.76$, $\text{Prob} > F = 0.0000$, $R^2 = 0.1325$. Sales of goods as a type of business showed a negative effect on loan recovery rate and was significant (Coef. -13.00, $t = -3.00$, $P = 0.004$).

Interest rate (Coef. -0.493, $t = -1.33$, $P = 0.186$) and loan duration (Coef. -2.749, $t = -1.77$, $P = 0.080$) showed negative effect but were not statistically significant in determining loan recovery rate. Loan repayment frequency repayment showed positive effect but was not statistically significant in determining loan recovery rate (Coef. 0.655, $t = 0.51$, $P = 0.612$).

4.6.3 Person-related Factors

Table 4.7 presents regression estimates for person-related variables multiple regression analysis was carried out to examine whether interest rate, loan period, repayment frequency, and type of business affect loan recovery. This analysis was done to test the hypothesis that attitude, spending of loan and experience in business do not significantly affect loan recovery from MSME borrowers in the study area. Results showed that the three variables included in the regression model are statistically significant in predicting loan recovery rate, $F(3, 92) = 8.16$, $\text{Prob} > F = 0.0001$, $R^2 = 0.2156$. Positive attitude showed positive effect and was statistically significant (Coef. 15.098, $t = 2.69$, $P = 0.008$). Spending of the loan on the targeted purpose (Coef. 7.674, $t = 1.59$, $P = 0.115$) and borrower's experience in business (Coef. 0.519, $t = 1.52$, $P = 0.131$) showed positive effect but were not statistically significant in determining loan recovery rate.

Table 4.7: Person-related Factors Affecting Loan Recovery

	Unadjusted Bivariate Robust				Multivariable Adjusted Robust			
	Regression				Regression			
Person-related Factors	Coef.	t	P-Value	95% CI	Coef.	t	P-Value	95% CI
Attitude to loan repayment:								
Negative attitude (Likert score below 3)	Ref.		Ref.	Ref.	Ref.		Ref.	Ref.
Positive attitude (Likert score above 3)	18.469	3.81	0.000	8.841 28.098	15.098	2.69	0.008	3.966 26.230
Loan spends:								
Spent on different purposes	Ref.		Ref.	Ref.	Ref.		Ref.	Ref.
Spent on targeted purpose	13.486	3.21	0.002	5.142 21.829	7.674	1.59	0.115	-1.915 17.264
Experience in Business:								
Years of experience in business	0.813	2.22	0.029	0.085 1.541	0.519	1.52	0.131	-0.157 1.195
Constant					69.489	13.05	0.000	58.916 80.063

4.6.4 The Revised Final Regression Models

From the findings of this study, the finally revised regression model for the determinants of loan recovery rate at Ilala Municipality in Dar es Salaam can be presented in the following equation.

(iv) Regression model for Socioeconomic determinants of loan recovery

$$\text{LoanRecovery_rate} = \beta_0 + \beta_1 \times \text{Med_Inc} + \beta_2 \times \text{Post_PE} + + \varepsilon \dots \dots \dots (6)$$

(v) Regression model for Institutional and business determinants of loan recovery

$$\text{LoanRecovery_rate} = \alpha_0 + \alpha_1 \times \text{Typbus_Servprov} + \epsilon \dots \dots \dots (7)$$

(vi) Regression model for person-related determinants of loan recovery

$$\text{LoanRecovery_rate} = \alpha_0 + \alpha_1 \text{Att_Positive} + \epsilon \dots \dots \dots (8)$$

4.7 Discussion of the Findings

The key findings of the study which focused on assessing the determinants of loan recovery from MSME borrowers at Ilala Municipality in Dar es Salaam are discussed in detail in order lead to main conclusions. The presentation of the discussion is based on the three research objectives which were to: examine socioeconomic factors affecting loan recovery from MSME borrowers; examine institutional and business-related factors affecting loan recovery from MSME borrowers and; examine person-related factors affecting loan recovery from MSME borrowers.

4.7.1 Socioeconomic Factors Affecting Loan Recovery from MSME Borrowers

4.7.1.1 Age of Borrower

The findings from this study showed that age of borrower does not determine loan recovery rate in the study area. Since there was not statistically significant evidence to reject the null hypothesis that age does not significantly affect loan recovery ($P > 0.05$ at 95% CI), then it can be agreed that any effect observed may have occurred due to chance. The results showed that loan recovery rate is not affected by age as there was no statistical difference in loan recovery rate between different ages. Similar results were found by a study done by Ramanujam (2017) on credit repayment behavior of borrowers in Virudhunagar district, India. In this study, it was found that demographic characteristics have no association with credit repayment performance of MSME

borrowers. Similarly, Makori (2017) in a study on socio-economic aspects that affect loan repayment in Kenya, found that age is not the determinant of loan repayment and that lending institutions do not consider it when making assessing the ability of the loan applicants to repay loans.

4.7.1.2 Gender of Borrower

The findings from this study showed no statistically significant evidence to reject the null hypothesis that gender of borrower does not significantly determine loan recovery rate in the study area ($P > 0.05$ at 95% CI). The study found no statistical difference in loan recovery rate between male and female. In this regard, gender was not found to be the determinant of loan recovery in the study area. These findings are contrary to those of Sarker & Talukder et. al., (2018) and Rakay & Farid et. al., (2018) which established that gender is one of the factors affecting loan repayment by MSME borrowers in Bangladesh. It is contrary to the findings of Nijam (2016) which established by using Fisher's exact test that loan repayment risk correlates with borrower's gender. This disagreement may be caused by context and or methodological approaches especially with the analysis whereby the reviewed studies used mostly descriptive analysis while this study used inferential statistics by using robust linear regression analysis.

However, the findings of this study are supported by those of Ssekiziyivu (2017) and those of Ramanujam (2017) which established that borrower's characteristics which included age, gender, education, marital status, and experience are not associated with loan repayment.

4.7.1.3 Marital Status of Borrower

Current marital status of the borrower was not found to be significant and hence the null hypothesis that marital status does not significantly determine the loan recovery rate could not be rejected ($P > 0.05$, at 95% CI). Loan recovery rate for married borrowers was not significantly different from those who are unmarried. Therefore, marital status was not found to be the determinant of loan recovery from MSME borrowers in the study area. These findings disagree with those of Wongnaa and Vitor (2013) which established a single borrowers have higher ability to repay the loan as compared to the married ones.

4.7.1.4 Income Status

From the findings of this study, it was showed that effect of income status for medium income group was statistically significant ($P < 0.05$ at 95% CI). Hence the null hypothesis that income status does not significantly determine the loan recovery rate in the study area was rejected as there was not statistically significant evidence to accept it.

Therefore, this takes the researcher to agree with the alternative hypothesis that income status of the borrower significantly determines loan recovery. Loan recovery rate was found to be 10.514% higher for borrowers who are in medium income as compared to those in the lower income group. The study did not find statistical difference between the low-income and high-income groups in loan recovery rate. The findings of this study are different from those of Ssekiziyivu (2017) which found no relationship between income level and loan repayment in Uganda.

4.7.1.5 Education Level of the Borrower

The findings of this study found statistically different loan recovery rates between borrowers with post-primary education and those who did not have formal education ($P < 0.05$ at 95% CI). Borrowers with post-primary education showed recovery rate of 25.356% higher than those with no formal education. However, there was not statistically difference in loan recovery rate between borrowers with primary education and those with no formal education. These findings are consistent with those of Wongnaa and Vitor (2013) which found that education has positive effect on loan repayment, but contrary to those of Ssekiziyivu (2017).

4.7.1.6 Number of Borrower's Dependents

The study findings showed no significant effect of number of dependents that a borrower has on loan recovery rate. The null hypothesis that number of borrowers dependents does not determine the rate of loan recovery could not be rejected as there was no statistically significant evidence for that ($P > 0.05$, at 95% CI). Therefore, number of dependents of a borrower is not a determinant of loan recovery in the study area. These findings are contrary to those of Makori (2017) in a study on socio-economic aspects that affect loan repayment in Kenya, which showed that the number of dependents of a borrower affects the loan repayment by the borrower.

This disagreement may be due to analytical factors. In the current study, when examined in isolation, the number of dependents was found to affect loan recovery, but after adjusting for other group factors, it turned out to be not significant. Therefore, this study concludes that the effects of dependents would be attributed by other factors as potential confounders. Findings of this study are similar to those of

Muganyizi (2015) which found no association between number of dependents and loan repayment in Tanzania.

4.7.2 Institutional and Business-Related Factors Affecting Loan Recovery from MSME Borrowers

4.7.2.1 Interest Rate on Loan

The findings from this study showed that interest rate on loan did not significantly affect loan recovery rate as revealed by the non-significant regression results ($P > 0.05$ at 95% CI). This being the case, the researcher could not reject the null hypothesis that interest rate on loan does not significantly determine loan recovery rate.

These findings are contrary to those of Kiliswa and Bayat (2016) which found that loan repayment is inversely related to interest rate. Also, Ssekiziyivu (2017) found that interest rate influences loan repayment. On the other hand, the findings of Muganyizi (2015) agrees with these findings whereby it was found in that study that interest rate is not associated with loan repayment.

4.7.2.2 Loan Period

The study findings showed that loan period did not significantly affect the rate of loan recovery in the study area. Regression results showed non-significant evidence to reject the null hypothesis that loan period does not determine loan recovery rate $P > 0.05$, at 95% CI). Therefore, loan period was not a determinant of loan recovery in the study area. Contrary to these findings, the findings of Kiliswa and Bayat (2016) found that suitability of loan repayment period enhanced loan repayment performance.

4.7.2.3 Loan Repayment Frequency

Repayment frequency was not found to significantly affect loan recovery in the study area. Regression statistics showed that repayment frequency was not significant ($P > 0.05$ at 95% CI), implying that loan repayment frequency is not the determinant of loan recovery in the study area. A different observation was asserted by Muganyizi (2015) that rigid payment schedule sustains low default rates.

4.7.2.4 Type of Business Done by the Borrower

Type of business was categorized into three groups: sales of goods, service provision and manufacturing of goods, while making the sales of goods the reference group. Results from the study showed the borrowers operating service provision business had 13% recovery rate lower than those operating sales of goods business ($P < 0.05$). The results on the other hand showed no statistically significant difference between manufacturing business and sales of goods in terms of loan recovery rate. These findings are supported by the findings of Muthoni (2016) which revealed a strong relationship between the business characteristics including type of business and loan repayment.

4.7.3 Person-related Factors Affecting Loan Recovery from MSME Borrowers

4.7.3.1 Borrower's Attitude on Loan Repayment

Borrower's attitude on loan repayment was found to be significantly determine loan recovery. Regression results showed significant difference between borrowers having positive and those having negative attitudes respectively. Borrowers with positive attitude were found to have loan recovery rate of 15% higher than those with negative attitude ($P < 0.05$ at 95% CI). This is in agreement with the assertion of Ogeisia &

Musiega et.al.,(2014) that there is strong positive relationship between borrower character which includes attitude and loan repayment.

4.7.3.2 Spending of Loan Acquired

Results from this study showed no significant difference in loan recovery rate between borrowers who spent their loans on the targeted purpose and those who spent it on other different purposes ($P > 0.05$ at 95% CI). This implies that the spending of loan acquired does not determine loan recovery in the study area. There are no relevant recent findings on this variable except that of Muganyizi (2015) which associated spending discipline and experience in business as they relate to loan repayment.

4.7.3.3 Borrower's Experience in Business

Results from the study showed no significant effect of borrower's experience in business on loan recovery rate. The regression results for experience were not significant ($P > 0.05$ at 95% CI) in explaining loan recovery rate in the study area. The findings are contrary to those of Kiliswa and Bayat (2016) which established that loan repayment is positively associated with borrower's experience. The findings of Ssekiziyivu (2017) which established that work experience does not determine loan repayment, support the findings of this study.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The study examined the determinant of loan recovery from micro, small, small and medium. The results are presented with respect to the objectives of the study which were to: examine socioeconomic factors affecting loan recovery from MSME borrowers; examine institutional and business-related factors affecting loan recovery from MSME borrowers and; examine person-related factors affecting loan recovery from MSME borrowers. The presentation of findings begins with descriptive statistics summary of key findings. A sample size of 96 MSME borrowers was used to analyze the determinants of loan recovery in the study area and results are as presented in the proceeding sections.

Findings revealed that determinants of loan recovery at Ilala Municipality in Dar es Salaam are: income status, education level, type of business operated by the borrower and borrower's attitude on loan repayment.

5.2 Implications of Findings

5.2.1 Implication for Policy Makers

Strengthening of income capacities for MSMEs using alternative sources and strategies. This is from the fact presented in this study that MSME operators who are in the low- income segment are in higher risks of defaulting as their recovery rates are relatively low as compared to those in the medium class. Provision of free grants to

these groups can be a viable solution to promote them from lower income class to the next better class.

5.2.2 Implications for Financial Institutions

The study imply that financial institutions should revise their lending policies so that they can reduce problems arising from borrowers.

5.2.3 Implication for Academics

Education provision to the MSME operators and owners. As it has been found that borrowers with no formal education has relatively lower rate of repayment, this implies that they lack necessary education about loan and perhaps financial management. There should be some efforts to raise loan and financial awareness to these groups in order to rescue them from the trap of loan delinquency or default. This can also address the issue of negative attitude on loan repayment which has been found to affect negatively loan repayment.

5.3 Conclusions

The conclusions are provided with attention to the specific objectives of the research in order to answer the main research questions and objectives. The overall objective of the study was to assess the determinants of loan recovery at Ilala Municipality in Dar es Salaam. Specifically, the study sought to: examine socioeconomic factors affecting loan recovery from MSME borrowers; examine institutional and business-related factors affecting loan recovery from MSME borrowers and; examine person-related factors affecting loan recovery from MSME borrowers.

5.3.1 Socioeconomic Determinants of Loan Recovery from MSME Borrowers

This study concludes that income status and education level of respondents are the socio-economic determinants of loan recovery in the study area. The other socio-economic factors such as age, gender, marital status and number of dependants have no significant effect on loan recovery in the study area.

5.3.2 Institutional and Business-related Determinants of Loan Recovery from MSME Borrowers

The type of business operated by the borrower was found to be the determinant of loan recovery from MSME borrowers among all examined institutional and business-related factors. Factors which were not found to affect loan recovery in the study area are; interest rate, loan period and loan repayment frequency. Therefore, the study concludes that the type of business operated or owned by the borrower is significant in explaining loan recovery rate by MSME borrowers.

5.3.3 Person-related Determinants of Loan Recovery from MSME Borrowers

Among all examined person-related factors, only attitude was found to be the determinant of loan recovery from MSME borrowers in the study area. Other factors such as loan spending and borrower's experience in business were not found to affect loan recovery, hence the study concludes that borrower's experience in business does not explain loan recovery in the study area.

5.4 Recommendations

From this study, the researcher raises several recommendations:

The study recommends that small and medium enterprises should develop appropriate mechanisms to ensure that they repay their loans within the specified time period. This is because poor loan repayment can affect the future access to finances from financial institutions.

Also, the study recommends that there must be provision of educations to small enterprises particular in performing their business and especially concentrated education on loans, regarding loans procedures and requirement from financial institutions, so that they have full awareness before process loans.

The study also recommends that financial institutions should revise the term and conditions attached to loan so that they can reduce the loan recovery problems associated with loan characteristics.

Further, the study recommends that the government in conjunction with the central bank and financial institutions should develop effective policies aimed at advancing credit to MSME. This is because MSME plays a major part for economic development in the country.

5.5 Limitation of the study

The study was conducted in Dar es Salaam to assess determinants of loan recovery from MSME borrowers at Ilala Municipality. This area was chosen for this study because it is one of the important commercial districts which accommodates a large number of micro, small and medium enterprises and is also accessible to many financial institutions found in the City.

In addition, the scope of the study was micro, small and medium enterprises borrowers from different sources of institutions, thus the study findings are limited to micro, small and medium enterprises borrowers to one or more financial institutions and may not be applicable to small enterprises who are not borrowers.

5.6.1 Areas for Further Study

This study investigated the determinants of loan recover from small and medium enterprises at Ilala Municipality Dar es Salaam, Tanzania. Then, area for the further study are:

- (i) The impact of loan recovery performance on MSME borrower's desire to continue relying on loans as the source of capital for their business;
- (ii) Options for improving MSME's capital formation in Tanzania
- (iii) Challenges facing MSME borrowers in recovering their loans

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APPENDICES

Appendix I: Questionnaire For Borrowing Entrepreneurs

A: Respondent's Identity

Respondent's ID

Record GPS location:

Name of Street

B: Objective (i) and (ii):

B01. Which of the following best describes your gender? (Tick one selection);

1 - Male

☐

2 - Female

☐

B02. What is your age? (type no. years in box);

B03. Which of the following describes your marital status? (Tick one selection);

1 – Married

☐

2 – Not married

☐

3 – Widowed

☐

4 – Divorced

☐

5 – Separated

☐

B04. How many people depend on you in your family? (Type No. of people in box)

B05. Which one of the following describes you best in regard to your income status?

(Tick one selection)

1 – Low income

☐

2 – Medium income

☐

3 – High income

B06. How many years did you spend in school? (Write No. of years in box)

B07. How many years have passed since you began doing business? (Write No. of years in box)

B08. Where did you obtain your most recent loan? (Tick one selection in box)

1 - Banks and Financial Institutions (e.g. microfinance banks, commercial banks, community and cooperative banks, etc)

2 - Non-Bank Financial Institutions (e.g. SACCOS, financial NGOs, microfinance companies, etc)

3 - Government Funds and Programmes (e.g. Youth and women development fund, Mwananchi Empowerment Fund, National Entrepreneurship Development Fund, e.tc)

4 - Mobile Money Financial Services (e.g. m-pawa-Vodacom, Timiza-airtel, etc.)

5 - Informal Financial Service Providers (e.g. ROSCAs, VSLAs, VICOBA, SACAs, etc.)

B09. What was the interest rate charged on your most recent loan? (Write the interest rate in box)

B10. What was the maximum period given to have completed your loans repayment?

(Write the number in terms of years in box)

B11a. How many payments were you supposed to do payments for that loan per year?

(Write No. of repayments in box)

B11b. How many periods were you supposed to have paid until recent?

(Provide the number of payments that were required to be paid to date. If the loan period has already expired, the value should = **B10** × **B11a**)

B12a. Have you ever delayed to repay your loan on scheduled time? (Tick one selection in box) ☐ Yes ☐ No

B12b. If yes, how many times did you delay to repay your loans on the scheduled time?

(Write the number of delays in box)

B13a. What amount were you supposed to pay back during the most recent payment period?

(Provide the figure for only the amount accumulated to the period in question, i.e. amount unpaid during the last payment date + periodical cash flow for the current date)

B13b. What amount did you manage to pay during the most recent period? (Write the amount of cash paid to lender in Tsh)

B14a. Did you have loans from another source apart from the one you mentioned as most recent?

(Tick one selection)

Yes ☐ No ☐

B13b. How many loans did you have other than the one you mentioned as most recent? (Write No. of loans in box)

B15. From the following list, what describes best the category of the business you were doing at the time you received loan(s)? (Tick one selection)

1 – Trade ☐

2 – Service ☐

3 – Manufacturing ☐

4 – Services ☐

B16. In what stage do you consider your business was at the time you received loan(s)? (Tick one selection)

1 – Development ☐

2 – Start-up ☐

3 – Growth ☐

4 – Expansion ☐

5 – Mature ☐

B17. Would you please indicate the level of your agreement or disagreement on each of the following statements by putting in a tick mark in a respective column against each statement: (1=Strongly disagree; 2=Disagree; 3=Undecided; 4=Agree; 5=Strongly agree)

Statements	1	2	3	4	5
B18a. It is always the right practice to repay the loan taken from lenders					
B18b. Repaying the loan would enable other people to also access loans					
B18c. Loan repayment can help to build good character of borrowers to the lenders and smoothen the chance for accessing another loan					
B18d. Non-repayment of loans can result to loss of one's					

possessions					
B18e. Non-compliance to repayment schedule can lead to complete failure to recover one's loan					

C. Objective (iii):

C01. Would you please evaluate your willingness by indicating the level of your agreement or disagreement on each of the following statements by putting in a tick mark in a respective column against each statement: (1=Strongly disagree; 2=Disagree; 3=Undecided; 4=Agree; 5=Strongly agree)


Statements	1	2	3	4	5
C01a. My experience from taking and repaying loans has increased my ambition to take more loans					
C01b. The benefits I have gained from the previous loans are encouraging me to take new loans					
C01c. My current business cannot progress successfully if I stop taking loans					
C01d. I am willing to encourage other fellows to take loans for their business					
C01e. I am confident in my current situation will not hinder me from recovering future loans					

Appendix II: Data Collection Permits from Ilala Municipal

The United Republic of Tanzania
President's Office

REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT

ILALA DISTRICT
Phone Address:
Phone No: 2203185/2203182
In reply quote: Ref. No: AB.60/87/01




DISTRICT COMMISSIONER'S OFFICE
ILALA DISTRICT,
1 RASHIDI KAWAWA ROAD
P. O. Box 15486,
12880 DAR ES SALAAM
Date: 12/12/2019

MUNICIPAL DIRECTOR
ILALA
DSM ✓

RE: RESEARCH PERMIT

Prof./Dr./Mr./Mrs./MS./Miss: IRENE KATEMANA
from The OPEN UNIVERSITY OF TANZANIA, she/he has been
permitted to undertake a field work research on DETERMINANTS ON
LOAN RECOVERY FROM MICRO, SMALL AND MEDIUM ENTERPRISES
BORROWERS AT ILALA MUNICIPALITY IN DAR ES SALAAM The
case study at Ilala District from 13/12/2019 to 31/12/2019

Therefore, you are asked to give the said researchers necessary assistance and
Cooperation.


 District Administrative Secretary
 ILALA

Copy: IRENE KATEMANA
Principal/Vice Chancellor,
THE OPEN UNIVERSITY OF TANZANIA.

HALMASHAURI YA MANISPAA YA ILALA

BARUA ZOTE ZIPELEKWE KWA MKURUGENZI WA MANISPAA

SIMUNA 2128800
2128805
FAX NO. 2121486OFISI YA MKURUGENZI
IMTAA WA MISSION
S.L.P 20950
11883 - DAR ES SALAAM

12/12/2019

KUMB. NA. IMC/AF.3/31

AFISA MTENDAJI KATA,
KATA YA BUGURUM,
P.O Box 12102.
DSM.AFISA MTENDAJI KATA
KATA YA BUGURUMYAH: RUHUSA YA NDUGU IRENE KATEMANA KUFANYA
PROJECT/FIELD/RESEARCH

Tafadhali rejea somo tajwa hapo juu.

Mtajwa hapo juu ni mwanachuo katika Chuo cha KIKUU HURIA TANZANIA
(OPEN UNIVERSITY OF TANZANIA)ambaye amekubaliwa kufanya Project/Field/Research juu ya
DETERMINANTS ON LOAN RECOVERY FROM MICRO, SMALL AND MEDIUM
ENTERPRISE AT ILALA MUNICIPALITY IN DSM katika ofisi yako kuanzia

tarehe 13/12/2019 hadi tarehe 30/12/2019

Hivyo mpokee na kumpa ushirikiano kulingana na mahitaji yake.

Ninakutakia kazi njema.

METS BUAWENAI
Tafadhali mpokee
mpokee ushirikianoKiny: MKURUGENZI WA HALMASHAURI
MANISPAA YA ILALAAFISA MTENDAJI KATA
KATA YA BUGURUM

HALIMA MTAJI YA MANISPAA YA ILALA

BAPE 2019/12/19 KATA MURUGENZI WA MANISPAA

SIMUNA 2128500
FAX NO 2121486

OFISI YA MURUGENZI
IMTAA WA MISSION
S.L.P 20950
11883 - DAR ES SALAAM

12/12/2019

RUMBU KA IMTAA WA MISSION

AFISA MTEMMU KATA,
KATA YA GONGU LA MBOTO,
S.L.P 12110
DSM

YAH: RUHUSA WA RDUGU IREME KATEMAMA KUFANYA
PROJECT/FIELD/RESEARCH

Tafadhali rejea kati ya...

Mtajiwa hapo juu ni niwanachuo katika Chuo cha KIKUU HURIA
(OPEN UNIVERSITY OF TANZANIA)

ambaye amekubali kufanya Project/Field/Research juu ya
TERMINANTS ON LOAN DISCOVERY FROM MICRO, SMALL AND
MEDIUM ENTERPRISE BORROWERS AT ILALA MUNICIPALITY IN DSM
katika ofisi yako kuanzia

tarehe 13/12/19 hadi tarehe 30/12/2019

Hivyo nipokee na... ushirikiano kulingana na majaji yake.

Ninakutakia kazi yema


MFO - Gubata
Nipokee na unipe
whirika...
KATA YA GONGU LA MBOTO
12/12/2019

MURUGENZI WA HALMASHA

Mwamba alidokea
SAID ACHANZI
12/12/2019

Appendix III: Model of Data collection CAPI Questionnaire Design

<p>Generated by hkasase, Dec 05, 2019 11:17 Questionnaire created by hkasase, Nov 17, 2019 12:03 Last modified by hkasase, Dec 05, 2019 11:17</p> <p>Not shared with anyone</p>	<p>Sections: 4, Sub-sections: 0, Questions: 30 Questions with enabling conditions: 2 Questions with validation conditions: 9 Rosters: 0 Variables: 1</p>
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LOAN RECOVERY FACTORS IN ILALA MUNICIPALITY, DSM

SURVEY IDENTIFICATION INFORMATION
QUESTIONNAIRE DESCRIPTION

INTRODUCTION AND CONSENT
 No sub-sections, No rosters, No questions, Static texts: 1.

A. BASIC INFORMATION
 No sub-sections, No rosters, Questions: 3.

B. MAIN QUESTIONS FOR OBJECTIVES (I)-(V)
 No sub-sections, No rosters, Questions: 27, Static texts: 1, Variables: 1.

C. END OF SURVEY
 No sub-sections, No rosters, No questions, Static texts: 1.

LEGEND

1 /

SURVEY IDENTIFICATION INFORMATION QUESTIONNAIRE DESCRIPTION

Basic information

Title

LOAN RECOVERY FACTORS IN ILALA
MUNICIPALITY, DSM

Survey data information

Study type Informal Sector Survey

Mode of Data Collection CAPI

Survey information

Country Tanzania

Year 2019

Languages English, Swahili

Unit of analysis Individual

Coverage Ward

Universe Micro, Small and Medium Enterprise Borrowers

Primary Investigator Irene Kakokele

Consultants Hamenya Kasase

Funding Self-financing

Additional info

Keywords

Loan Recovery

INTRODUCTION AND CONSENT

Introduction

STATIC TEXT

Dear Respondent, My Name is _____. I am carrying out a research on Factors Affecting Loan Recovery from MSME borrowers at Ilala Municipality. The data collected are exclusively intended for Academic purposes and will in neither case be used for other purposes. Your personal identifications will be anonymous as I will not record your Name and ID particulars. You are free to agree or not agree to participate in this interview. In case you feel not comfortable to continue with this interview at any point, you are also allowed to do so. However, I humbly request for your participation.

A. BASIC INFORMATION

basic_info

A01. Respondent Identity No	TEXT respondent_id
A02. When was the interview conducted? Please capture the date and time when this interview was conducted	DATE: CURRENT TIME int_date
A03. Where did this interview take place?	GPS gps N W A

B. MAIN QUESTIONS FOR OBJECTIVES (I)-(V)

survey_objectives

B01. Which of the following best describes your gender? (Tick one selection)	SINGLE-SELECT gender 01 <input type="radio"/> Male 02 <input type="radio"/> Female
B02. What is your age? Please type No. of years in box V1 Age>=18&&Age<100 M1 You have entered an invalid value. Please check that age is not below 18 and not above 99	NUMERIC: INTEGER Age
B03. Which of the following describes your marital status? Please Tick one selection from the list below	SINGLE-SELECT Marital 01 <input type="radio"/> Married 02 <input type="radio"/> Divorced 03 <input type="radio"/> Separated 04 <input type="radio"/> Widow or widower 05 <input type="radio"/> Never married
B04. How many people depend on you in your family? Please Type No. of people in the box V1 dependants>=0&&dependants<=20 M1 Your entry is out of range. Please check that number of dependants is not a negative value and not more than 20	NUMERIC: INTEGER Dependants

<p>B05. Which one of the following describes you best in regard to your income status?</p> <p>I Please, tick one selection from the list below</p>	<p>SINGLE-SELECT Income</p> <p>01 <input type="radio"/> Low income</p> <p>02 <input type="radio"/> Medium income</p> <p>03 <input type="radio"/> High income</p>
<p>B06. What is your highest level of education?</p> <p>I Please, tick one selection from the list below</p>	<p>SINGLE-SELECT Education</p> <p>01 <input type="radio"/> No formal education</p> <p>02 <input type="radio"/> Primary incomplete</p> <p>03 <input type="radio"/> Primary complete</p> <p>04 <input type="radio"/> Vocational technical training (post-primary)</p> <p>05 <input type="radio"/> Secondary incomplete</p> <p>06 <input type="radio"/> Secondary complete</p> <p>07 <input type="radio"/> Vocational technical training (post-secondary)</p> <p>08 <input type="radio"/> College/university (diploma or Degree) incomplete</p> <p>09 <input type="radio"/> College/university (diploma or degree) graduate</p> <p>10 <input type="radio"/> Postgraduate degree (PDG, Master's, PhD)</p>
<p>B07. How many years have passed since you began doing business?</p> <p>I Please enter number of years. If experience does not equal a complete year, convert the months into fraction of a year by dividing number of months by 12.</p> <p>V1 $\text{Business_experience} \geq 0 \&\& \text{Business_experience} \leq \text{Age}$</p> <p>M1 You have entered an invalid value. Please check that experience is not a negative value and not greater than the mentioned age!</p>	<p>NUMERIC: DECIMAL Business_experience</p> <hr/>
<p>B08. Where did you obtain your most recent loan?</p> <p>I Please tick one selection from the list below</p>	<p>SINGLE-SELECT Source_loan</p> <p>01 <input type="radio"/> Banks and Financial Institutions (e.g. microfinance banks, commercial banks, community and cooperative banks, etc)</p> <p>02 <input type="radio"/> Non-Bank Financial Institutions (e.g. SACCOS, financial NGOs, microfinance companies, etc)</p> <p>03 <input type="radio"/> Government Funds and Programmes (e.g. Youth and women development fund, Mwananchi Empowerment Fund, National Entrepreneurship Development Fund, e.tc)</p> <p>04 <input type="radio"/> Mobile Money Financial Services (e.g. m-pawa-Vodacom, Timiza-airtel, etc.)</p> <p>05 <input type="radio"/> Informal Financial Service Providers (e.g. ROSCAs, VSLAs, VICOBA, SACAs, etc.)</p>
<p>B09. What was the interest rate charged on your most recent loan?</p> <p>I Write the interest rate in box</p> <p>V1 $\text{Interest_rate} \geq 0 \&\& \text{Interest_rate} \leq 100$</p> <p>M1 You have entered an invalid value. Please check that the interest rate is not a negative value and not greater than 100.</p>	<p>NUMERIC: INTEGER Interest_rate</p> <hr/>

<p>B10. What was the maximum time-period given for you to complete your loan repayment?</p> <p>I Write the number in terms of years in box. If time does not equal a complete year(s), convert the months into fraction of a year by dividing number of months by 12.</p> <p>V1 $\text{Loanrepay_time} > 0 \&\& \text{Loanrepay_time} \leq 6$</p> <p>M1 You have entered an invalid value. Please check that time is not a negative value and that it is not greater than 6 years.</p>	<p>NUMERIC: INTEGER loanrepay_time</p> <hr/>
<p>B11a. How many times were you supposed to do payments for that loan per year?</p> <p>I Write No. of repayments in box</p> <p>V1 $\text{repaynumber_annually} \geq 1 \&\& \text{repaynumber_annually} \leq 366$</p> <p>M1 You have entered an invalid value. Please check that the value is not less than 1 and not greater than 366 days.</p>	<p>NUMERIC: INTEGER repaynumber_annually</p> <hr/>
<p>B11b. How many times were you supposed to have paid until recent?</p> <p>I Provide the number of payments that were required to be paid to date. If the loan period has already expired, the value should = $B10 \times B11a$</p> <p>V1 $\text{reqrepayments_todate} \geq 1 \&\& \text{reqrepayments_todate} \leq (\text{Loanrepay_time} \times \text{repaynumber_annually})$</p> <p>M1 You have entered an invalid value. Please check that the value is not less than 1 and not greater than $B10 \times B11a$</p>	<p>NUMERIC: INTEGER reqrepayments_todate</p> <hr/>
<p>B12a. Have you ever delayed to repay your loan on scheduled time?</p> <p>I Please, tick one selection in box</p>	<p>SINGLE-SELECT delayed_repay</p> <p>01 <input type="radio"/> Yes</p> <p>02 <input type="radio"/> No</p>
<p>B12b. If yes, how many times did you delay to repay your loans on the scheduled time?</p> <p>I Write the number of delays in the box</p> <p>E $\text{delayed_repay} = 1$</p> <p>V1 $\text{delay_frequency} > 0 \&\& \text{delay_frequency} \leq \text{reqrepayments_todate}$</p> <p>M1 Invalid value> Please check that the value is not a negative number and does not exceed the number of possible repayments to date as you've mentioned in B11b</p>	<p>NUMERIC: INTEGER delay_frequency</p> <hr/>
<p>B13a. What amount were you supposed to pay back during the most recent payment period</p> <p>I Provide the figure for only the amount accumulated to the period in question, i.e. amount unpaid during the last payment date + periodical cash flow for the current date</p>	<p>NUMERIC: DECIMAL repay_amount</p> <hr/>
<p>B13b. What amount did you manage to pay during the most recent period?</p> <p>I Write the amount of cash paid to the lender in Tsh</p> <p>V1 $\text{success_repayamount} > 0 \&\& \text{success_repayamount} \leq \text{repay_amount}$</p> <p>M1 You have entered an invalid value. Please check that the value is not equal or less than 0 and does not exceed the amount required to pay as you mentioned in B13a.</p>	<p>NUMERIC: DECIMAL success_repayamount</p> <hr/>
<p>B14a. Did you have loans from another source apart from the one you mentioned as the most recent one?</p> <p>I Please tick one selection from the options below</p>	<p>SINGLE-SELECT multiple_loans</p> <p>01 <input type="radio"/> Yes</p> <p>02 <input type="radio"/> No</p>
<p>B14b. How many loans did you have other than the one you mentioned as most recent?</p> <p>I Please, write the No. of loans in box. The number of loans should exclude the loan which you are reporting for in this interview.</p> <p>E $\text{multiple_loans} = 1$</p>	<p>NUMERIC: INTEGER Numb_multloans</p> <hr/>

<p>B15. From the following list, what describes best the category of the main business you were doing at the time when you received the loan(s)?</p> <p>I Please tick one selection from the list provided below</p>	<p>SINGLE-SELECT busin_type</p> <p>01 <input type="radio"/> Trade (e.g. resale of goods, wholesale, distributor, e.t.c.)</p> <p>02 <input type="radio"/> Service (e.g. catering, hair-braiding/dressing/cutting, laundry, environment, e.t.c.)</p> <p>03 <input type="radio"/> Manufacturing (e.g. carpentry, food/beverage processing, e.t.c.)</p>
<p>B16. In what stage do you consider your business was at the time you received loan(s)?</p> <p>I Please, tick one selection from the option list below</p>	<p>SINGLE-SELECT stage_busines</p> <p>01 <input type="radio"/> Development stage</p> <p>02 <input type="radio"/> Star-up stage</p> <p>03 <input type="radio"/> Growth stage</p> <p>04 <input type="radio"/> Expansion stage</p> <p>05 <input type="radio"/> Mature stage</p>
<p>STATIC TEXT</p>	
<p>B17. Would you please indicate the level of your agreement or disagreement on each of the following statements by putting in a tick mark in a respective column against each statement:</p>	
<p>B17a. It is always the right practice to repay the loan taken from lenders</p> <p>I Please tick one selection which represents your agreement/disagreement level</p>	<p>SINGLE-SELECT Likert_agree1</p> <p>01 <input type="radio"/> Strongly disagree</p> <p>02 <input type="radio"/> Disagree</p> <p>03 <input type="radio"/> Neither agree nor disagree</p> <p>04 <input type="radio"/> Agree</p> <p>05 <input type="radio"/> Strongly agree</p>
<p>B17b. Repaying the loan would enable other people to also access loans</p> <p>I Please tick one selection which represents your agreement/disagreement level</p>	<p>SINGLE-SELECT Likert_agree2</p> <p>01 <input type="radio"/> Strongly agree</p> <p>02 <input type="radio"/> Agree</p> <p>03 <input type="radio"/> Neither agree nor disagree</p> <p>04 <input type="radio"/> Disagree</p> <p>05 <input type="radio"/> Strongly disagree</p>
<p>B17c. Loan repayment can help to build good character of borrowers to the lenders and smoothen the chance for accessing another loan</p> <p>I Please tick one selection which represents your agreement/disagreement level</p>	<p>SINGLE-SELECT Likert_agree3</p> <p>01 <input type="radio"/> Strongly agree</p> <p>02 <input type="radio"/> Agree</p> <p>03 <input type="radio"/> Neither agree nor disagree</p> <p>04 <input type="radio"/> Disagree</p> <p>05 <input type="radio"/> Strongly disagree</p>
<p>B17d. Non-repayment of loans can result to loss of one's possessions</p> <p>I Please tick one selection which represents your agreement/disagreement level</p>	<p>SINGLE-SELECT Likert_agree4</p> <p>01 <input type="radio"/> Strongly agree</p> <p>02 <input type="radio"/> Agree</p> <p>03 <input type="radio"/> Neither agree nor disagree</p> <p>04 <input type="radio"/> Disagree</p> <p>05 <input type="radio"/> Strongly disagree</p>
<p>B17e. Non-compliance to repayment schedule can lead to complete failure to recover one's loan</p> <p>I Please tick one selection which represents your agreement/disagreement level</p>	<p>SINGLE-SELECT Likert_agree5</p> <p>01 <input type="radio"/> Strongly agree</p> <p>02 <input type="radio"/> Agree</p> <p>03 <input type="radio"/> Neither agree nor disagree</p> <p>04 <input type="radio"/> Disagree</p> <p>05 <input type="radio"/> Strongly disagree</p>
<p>VARIABLE (Likert_agree1+Likert_agree2+Likert_agree3+Likert_agree4+Likert_agree5)/5</p>	<p>DOUBLE Meanscore_likert</p>

B18a. What was the intended uses of the loan that you took?

I Please, tick one selection from the provided list

SINGLE-SELECT

Purpose_loan

- 01 ☐ To support my business
02 ☐ To support my family needs

03 ☐ Others needs (cannot disclose)

B18.b How was the loan you acquired from the lender spent?

I Please tick one selection from the options provided below

SINGLE-SELECT

spend_loan

- 01 ☐ Spent exclusively on the intended purpose

02 ☐ Partly spent on the intended purpose

03 ☐ Spent exclusively on needs other than the intended purposes

C. END OF SURVEY

Survey_end

STATIC TEXT

We have now reached the end of our survey interview. Thank you so much for your kind cooperation and time devotion towards participating in this survey. ASANTE SANA.

LEGEND

Legend and structure of information in this file

Name of section	Enabling condition for this section	Type of question, scope	Variable name
SECTION 5: OTHER INCOME SOURCES	Question title	Answer options	
E s4.other_sources.which.Contains(98)			
Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur?		MULTI-SELECT SCOPE: PREFILLED	s4_re1_leaders_other
I This refers to family relations E s3.time_other > 0 V1 s4_re1_leaders.which.Contains(98) M1 Can not be itself V2 (s3.time_other_breeding_advice <= (50 - s3.time_appt_insen_advice)) s3.time_other_breeding_advice == 0 M2 This person is not in the list F optioncode != s3_ignored_option_code		01 <input type="checkbox"/> Community animal health workers 02 <input type="checkbox"/> Private 03 <input type="checkbox"/> Government 04 <input type="checkbox"/> Livestock keepers association 05 <input type="checkbox"/> NGO And 5 other [13]	
Additional information: "I" – Question instruction "E" – Enabling condition "V1" – Validation condition №1 "M1" – Message for validation №1 "F" – Filter in Categorical questions		Link to full set in appendix	

Breadcrumbs

Type or roster
Roster Title
CHAPTER 3 IDENTIFICATION / Roster: LEADER RELATION DETAILS generated by fixed list:
01 Ward Livestock Officer
02 Village Livestock Officer
99 Other (specify)
List items